USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 2/3/2006

GAIN Report Number: IN6007

India

Agricultural Situation

Weekly Highlights & Hot Bites, #4

2006

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Report Highlights:
The government decides to import wheat, *Palmoil, Soyoil tariff cuts irritate traders*, *Indian economy grew 7.5 percent in FY 2004/05*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

GOVERNMENT DECIDES TO IMPORT WHEAT

The Indian government has decided to import an initial 500,000 tons of wheat. According to a government press release, wheat will be imported by the government's State Trading Corporation (STC) duty free, but only through the ports of Chennai, Tuticorin, and Kakinada, all of which are in southern India, where wheat is not grown and where prices are much higher ($244 to 267 per ton). (Source: Press Information Bureau, 02/02/06)

Post Comment: A smaller than anticipated wheat harvest last year, significant declines in government wheat procurement and carry-over stocks, increasing consumption, and high domestic wheat prices led to the government's decision to import wheat, which Post has predicted since last year (see GAIN report IN5127). The decision to import wheat late in this marketing year will likely have a moderating effect on domestic wheat prices and would check hoarding by the trade, which will help the government maximize procurement from the next crop. The modalities of wheat imports by the STC have not yet been announced. For the press release, please visit: http://pib.nic.in/release/release.asp?relid=15316

PALMOIL, SOYOIL TARIFF CUTS IRRITATE TRADERS

Effective January 31, 2006, the government lowered the tariff values on various imported vegetable oils. The official notification is available at: www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/csnt07-2k6.htm. Trade sources mention that the current tariff cut is not in line with international prices, as these have increased since the last change in tariff values announced by the government on January 16, 2006. The impact of the tariff value changes on the retail prices of edible oils is estimated to be negligible. The tariff value revisions are seemingly being done on the 15th and the last day of the month.

Revised and Old Tariff Values for Various Edible Oils

Edible Oil	Old Tariff Value ($/Ton)	New Tariff Value ($/ton)
Crude Palm Oil	415	412
RBD Palm Oil	430	427
Others Palm Oil	423	420
Crude Palmolein	437	434
RBD Palmolein	440	437
Others Palmolein	439	436
Crude Degummed Soybean Oil	492	484

(Source: Business Standard, 02/01/06)

INDIAN ECONOMY GREW 7.5 PERCENT IN FY 2004/05

The Indian economy grew at a healthy 7.5 percent in FY 2004/05 (Apr-Mar), despite a relatively small little 0.7 percent growth in agriculture. Though the revised GDP growth rate for FY 2004/05 is higher than the earlier estimate of 6.9 percent, it is lower than the FY 2003/04 growth rate of 8.5 percent. The revised GDP figures released by the government's Central Statistical Organization use a new series of National Account Statistics with 1999/2000 as the base, rather than the previous base year of 1993/94. Per the revised statistics, the agricultural GDP growth in 2003/04 was 10 percent (following drought-plagued 2002/03 crop year), which declined to 0.7 percent in 2004/05. (Source: Business Standard, 02/01/06)

Post Comment: For further details visit: http://mospi.nic.in/press_note_31jan06.htm

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